New York City Police Pension Fund
Subchapter 2

Component Unit Financial Report
Component Unit
of
The City of New York

Fiscal Year Ended
June 30, 1992
New York, New York

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COMPONENT UNIT FINANCIAL REPORT

FOR THE

FISCAL YEAR ENDED JUNE 30, 1992

Prepared By: Accounting Unit under the direction of:
Deputy Inspector Joseph F. Maccone - Commanding Officer
New York City Police Pension Fund - Subchapter 2

Actuary

Robert C. North, Jr., Chief Actuary

Custodian of the Funds

Elizabeth Holtzman, Comptroller of the city of New York

Headquarters Address

One Police Plaza, New York, New York 10038

Board of Trustees

NEW YORK CITY POLICE PENSION FUND-SUBCHAPTER 2
COMPONENT UNIT FINANCIAL REPORT

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NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

INTRODUCTORY SECTION

PART I

FOR THE

FISCAL YEAR ENDED JUNE 30, 1992

Certificate of Achievement for Excellence in Financial Reporting

Presented to

New York City Police Pension Fund, Article 2

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1991

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

The City of New York

POLICE DEPARTMENT
POLICE PENSION FUND, ARTICLE II
1 POLICE PLAZA, ROOM 1010
NEW YORK, N.Y. 10038-1497

December 22, 1992

To the Members of the Board of Trustees, Police Pension Fund Subchapter 2.

The Component Unit Financial Report of the Police Pension Fund Subchapter 2 (the Plan) for the fiscal year ended June 30, 1992, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the fund. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of the operation of the Retirement System. All disclosures necessary to enable the reader to gain an understanding of the Pension System's Financial Activities have been included.

Our independent auditors, Ernst & Young and Mitchell/Titus & Co., have audited our financial statements, and have submitted an independent auditor report which is included in this book. The audit was conducted in accordance with generally accepted auditing standards.

The report has been prepared in accordance with the principles of Governmental Accounting and Reporting promulgated by the Governmental Accounting Standards Board. In November of 1986, the Government Accounting Standards Board (GASB) issued Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Government Employers" effective for financial reports issued for Fiscal Years beginning after December 15, 1986. The requirements of GASB Statement No. 5 have been implemented in our financial statements.

It is our objective to present fairly the financial statements, supporting schedules and statistical tables. An annual examination of existing Internal Controls is performed in compliance with Directive #1 - Internal Controls issued by the Office of the Comptroller of The City of New York. This study and evaluation disclosed no condition that is a material weakness.

This report will be forwarded to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting. This report consists of four sections:

An Introductory Section which contains the Commanding Officer's Letter of Transmittal and the identification of the Administrative Organization and consulting services utilized by the system, a financial section which contains the opinion of the Independent Certified Public Accountants as well as the Financial Statements of the fund; and Actuarial Section which contains the systems Actuarial Data and the systems Actuarial Certification Letter, the last section contains Statistical Tables of significant Data pertaining to the New York City Police Pension Fund Subchapter 2.

The New York City Police Pension Fund Subchapter 2 represents the Finest Police Officers in the world. During 1975 The City of New York experienced a fiscal crisis. The Police Pension Fund Subchapter 2 as well as the four other actuarial city employee pension funds, (New York City Employees' Retirement System, Teachers' Retirement System, Fire Pension Fund Subchapter 2 and Board of Education Retirement System) purchased millions of dollars of bonds from The City which helped The City avoid bankruptcy.

Economic Condition And Outlook

The economy of the nation continues to be weak and many economists feel that we are back into a recession. New York State was also hurt by a continued downturn in the economy and so was the City of New York. Many individuals believe we are presently in a depression and that recovery is expected to be a long and painful process. The City preceded the nation into recession and unemployment is at an all time high. All segments of the City's economy have demonstrated indicators of economic decline.

Inflation and interest rates are low; the year to year change in the consumer price index is only about 3 percent. These rates are low because of the weak economic recovery. Many feel that rising costs of health care, environment clean-up, education, AIDS and crime will lessen the recovery cycle. These negative factors provide for a decline of delivery of services to the citizens of the City of New York which have an adverse effect on their daily living conditions.

Major Initiatives for the Year

New York City is not the only city facing budget problems. Many other cities and local governments are in a period of recession. States are in a similar economic condition and therefore can offer little or no financial help to the cities.

New York City is legally required to balance its budget and did so for the Fiscal year ended 1992. The City imposed many measures to contain spending.

The restructuring of some pension plans investments led to an increase in the earnings assumption for some of the Pension Funds. Excellent investment performance of our pension plans will save the city millions of dollars through reduced contributions to the future in the future. There also was additional legislation to permit more flexible investing by the funds. Yield on investments range from 5.2% to 22.6% which are very good rates of return in today's market. An analysis of Portfollo Yields is completed in the Statistical section of this report for a more detailed description.

To effectively assess the Funding progress of a Retirement System, it is necessary to compare the Actuarial value of Assets and the Accrued Pension Benefit Liabilities calculated consistent with the plan's funding method over a period of time. A detailed analysis is given in the Actuarial Section. Funding status and progress is also explained in the notes to the financial statements.

Financial and Budgetary Controls - The management of the plan is responsible for establishing and maintaining an internal control structure designed to ensure that the funds assets are protected from loss, theft, or misuse and that preparation of financial statements are done in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable but not absolute, assurance that these objectives are met. The plan also maintains budgetary controls.

Investment Policy - The investment policies are adopted by the Board of Trustees. Investments are made in various financial instruments including Domestic and International Stocks and Bonds as well as Short-Term Investments as to minimize risks and maintain a high competitive return. By increasing the funds return, The City contributions to the plan may be reduced, thereby saving The City of New York millions of dollars. The pension plan also continued with policies of social responsibility. Programs were developed to improve the quality of life in New York City and also the economy of The City, as well and earn market rates of return.

Net Investment Income increased by 362,669,000 and the net assets available for pension benefits increased by 633,045,000. at the end of the Fiscal 92.

Investment Income increased by 75% and net assets available for pension benefits increased by 9% at the end of Fiscal 92. A more detailed analysis is further explained in the accounting and statistical sections of this report.

The following are consultants for the various types of investments:

FIXED INCOME ADVISORS

GOVERNMENT
Fischer, Francis
Investment Asvisers
Mellon Bonx Associates
Putman Companies
Wells Fargo

MORTGAGE
Bear Stearns
Miller, Anderson
Pimco

CORPORATE
Bankers Trust
T,. Rowe Price

FOREIGN
Fiduciary Trust
Total Yankee

EQUITY ADVISORS
J & W Selligman
Lazard Freres
Oppenheimer Capital
Trust Co. of the West
Passive Fund

The Comptroller of The City of New york is the custodian of the Pension Fund assets and provides investment services through independent advisors. Actuarial services are provided to the system by the City's Chief Actuary employed by the Board of Trustees of The City's main Pension Systems. The City's Corporation Counsel provides legal services to the fund. All financial information is discussed in the financial section.

For the Future

The crime problem has become of major significance affecting the lives of many New Yorkers. The Mayor's "Safe Streets, Safe City Program' represents a comprehensive approach for dealing with our city's crime problems with a primary emphasis upon the police. The Police Department will adopt community policing as its dominant operational philisophy with the goal of having police officers in every neighborhood and every street in The City.

It is the aim of our investment advisors to provide safe and high rates of return for all our investments. The Board of Trustees reviews the performance of the investment advisors periodically in order that maximum returns can be realized.

Financial Overview and Fund Structure

This report includes all funds of the Police Pension Fund Subchapter 2 which are as follows:

1) The Annuity Savings Fund are contributions received from active members usually through payroll deductions.

2) The Contingent Reserve Fund are the employer contributions.

3) The Annuity Reserve Fund are member contributions transferred at retirement to provide the pension portion retirement allowance.

4) The Pension Reserve Fund are employer contribuutions transferred at retirement to provide the pension portion at retirement.

5) The Group Life Insurance Fund are employer contributions used to provide in the event death benefits are payable to the beneficiary or estate of a member such part of the benefits derived from City contributions (not exceeding $50,000) shall be paid as insurance from The Group Life Insurance Fund.

OTHER INFORMATION

The Government Officers Association of the United States and Canada (GFOA) awarded Certificates of Achievement for Excellence in Financial Reporting to the New York City Police Pension Fund Subchapter 2 for its Component Unit Financial Report for the fiscal years ending June 30, 1987 through June 30, 1991. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized component unit financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined effort of the staff of the Pension Section, the Chief Actuary of the City of New York and the Comptroller's Office. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of indicating stewardship of the assets contributed by the members of the system. I would like to take this opportunity to thank the staff, the advisors and the many people who have worked so diligently to assure the successful operation of The Fund. I also want to express my appreciation to the Accounting Unit especially to our Chief Accountant Abraham Papilsky. I appreciate their efforts, which have continued to be of primary importance in preparation of all accounting and statistical data for this report.

In closing, without the leadership and support of the Board of Trustees, preparation of this report would not have been possible.

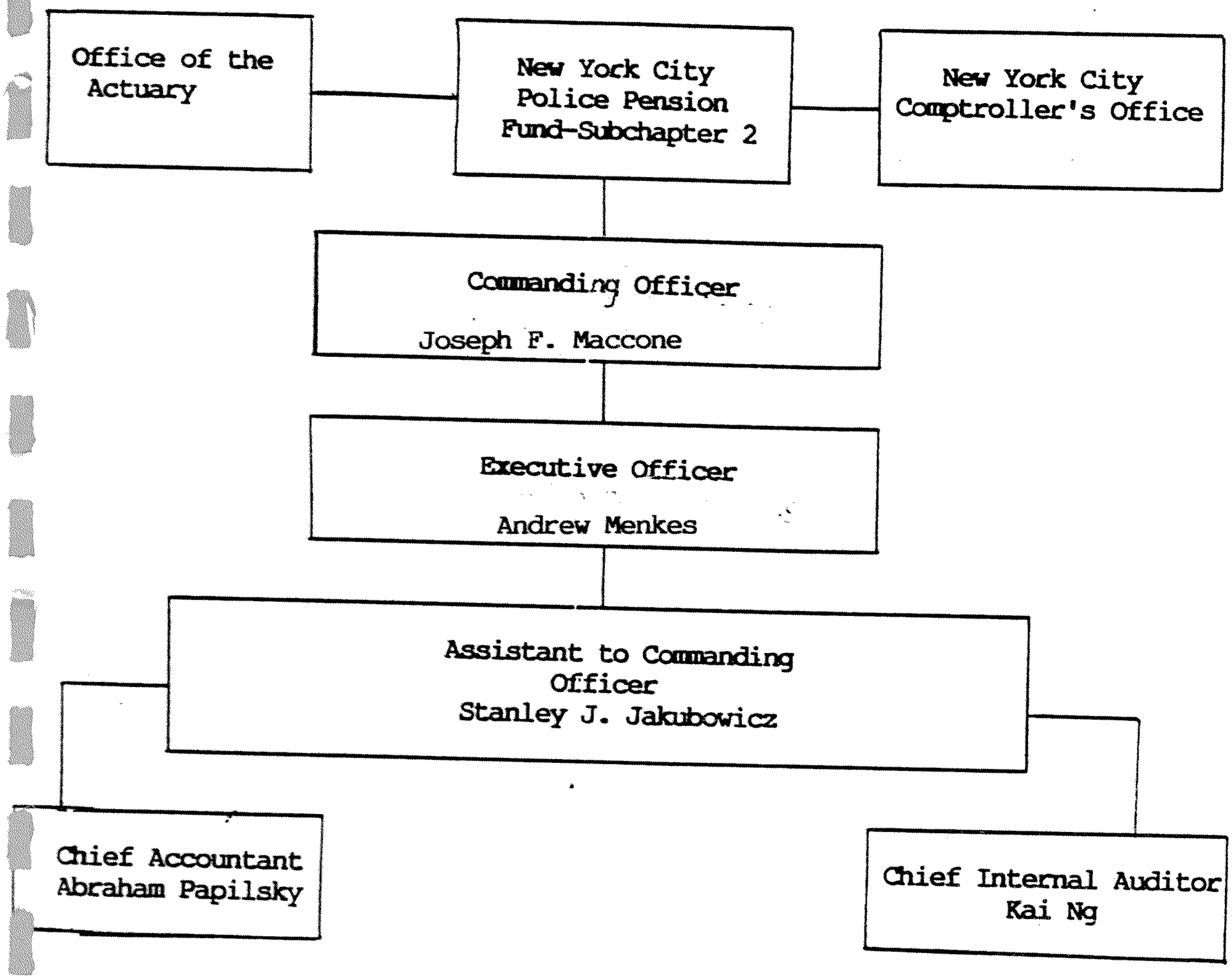
Respectfully submitted,

Joseph F. Maccone

Joseph F. Maccone
Deputy Inspector,
Commanding Officer,
Pension Section

JFM/yl

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
ADMINISTRATIVE ORGANIZATION



NEW YORK CITY POLICE PENSION FUND SUBCHAPTER 2
SUMMARY SCHEDULE OF COMPENSATION OF ADMINISTRATIVE
OFFICIALS AND COMMISSIONS & PAYMENTS TO OUTSIDE SERVICES
FISCAL YEAR ENDED JUNE 30, 1992

COMPENSATION OF ADMINISTRATIVE OFFICIALS	SALARY OF ALLOWANCE PAID
Commanding Officer	$ 86,000
Executive Officer	66,566
Assistant to Commanding Officer	67,600
Chief Accountant	40,800
Chief Internal Auditor	37,600

Allocated Compensation of Other Officials	Portion of Salary Allocated to Police Pension Fund Subchapter 2
Comptroller	$21,000
Corporation Counsel	22,000

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

FINANCIAL SECTION

PART II

FOR THE

FISCAL YEAR ENDED JUND 30, 1992

ERNST & YOUNG

277 Park Avenue
New York, New York 10172

Phone 212 773-3000

Report of Independent Auditors

To the Board of Trustees
New York Police Department
Pension Fund—Subchapter 2

We have audited the accompanying statements of net assets available for pension benefits of the New York Police Department Pension Fund—Subchapter 2 (the "Plan") as of June 30, 1992 and 1991, and the related statements of changes in net assets available for pension benefits, and cash flows for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for pension benefits of the New York Police Department Pension Fund—Subchapter 2 at June 30, 1992 and 1991, and the changes in net assets available for pension benefits and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 5 to the financial statements, in 1992 the Plan changed the asset valuation method utilized for determining pension contributions.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules 5 and 6 are presented for purposes of additional analysis and are not a required part of the financial statements of the Plan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The information on Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Ernst + Young

October 30, 1992

New York Police Department Pension Fund—Subchapter 2

Statements of Net Assets Available for Pension Benefits

	June 30 1992	June 30 1991
	(In Thousands)	
Assets		
Investments *(Notes 2 and 3)*:		
Securities purchased under agreements to resell	**$ 38,825**	$ 7,145
Other short-term investments:		
Commercial paper	**114,263**	84,287
Short-term investment fund	**400,923**	176,635
Debt securities:		
U.S. Government	**2,020,493**	1,988,675
Corporate	**874,036**	715,445
International investment fund—fixed income	**63,000**	63,000
Mortgages	**91**	569
Other	**75,068**	64,173
Equity securities	**3,578,209**	3,155,829
International investment fund—equities	**417,023**	314,135
Total investments	**7,581,931**	6,569,893
Cash	**-**	121,961
Receivables for investment securities sold	**114,714**	27,488
Accrued interest and dividends receivable	**49,672**	52,079
Employer contribution receivable—long-term *(Note 8)*	**524,204**	536,490
Other assets	**4,610**	3,903
Total assets	**8,275,131**	7,311,814
Liabilities		
Accounts payable *(Note 2)*	**21,972**	–
Payables for investment securities purchased	**415,472**	146,404
Accrued benefits payable	**15,453**	23,290
Due to New York Police Department variable supplements fund *(Note 4)*	**47,069**	–
Total liabilities	**499,966**	169,694
Contingent liabilities *(Note 10)*		
Net assets available for pension benefits	**$ 7,775,165**	$7,142,120

See accompanying notes to financial statements.

New York Police Department Pension Fund—Subchapter 2

Statements of Changes in Net Assets Available for Pension Benefits

	Year ended June 30 1992	1991
	(In Thousands)	
Contributions *(Notes 5 and 8)*:		
Member contributions (net of loans to members)	**$ 15,226**	$ 13,008
Employer contributions	**421,322**	434,877
Total contributions	**436,548**	447,885
Investment income:		
Interest income	**267,534**	294,892
Dividend income	**94,051**	90,382
Net realized and unrealized gain on investments *(Note 3)*	**485,014**	98,656
Net investment income	**846,599**	483,930
Total contributions and investment income	**1,283,147**	931,815
Benefit payments and withdrawals *(Note 1)*	**600,787**	577,775
Payments to (from) other funds, net	**2,246**	(4,870)
Excess earnings to New York Police Department variable supplements fund *(Note 4)*	**47,069**	–
Total benefit payments, withdrawals and net payments to other funds	**650,102**	572,905
Increase in net assets available for pension benefits	**633,045**	358,910
Net assets available for pension benefits at beginning of year	**7,142,120**	6,783,210
Net assets available for pension benefits at end of year	**$ 7,775,165**	$ 7,142,120

See accompanying notes to financial statements.

New York Police Department Pension Fund—Subchapter 2

Statements of Cash Flows

	Year ended June 30 1992	1991
	(In Thousands)	
Cash flows from operating activities		
Increase in net assets available for pension benefits	$ **633,045**	$ 358,910
Adjustments to reconcile increase in net assets available for pension benefits to net cash provided by operating activities:		
Interest and dividend income	**(345,248)**	(380,181)
Decrease in employer contribution receivable—long-term	**12,286**	11,324
Increase in other assets	**(708)**	(505)
Amortization of premiums and discounts—net	**(18,745)**	(8,761)
Gain on sale of securities	**(219,428)**	(79,973)
Increase in unrealized appreciation of equity securities	**(265,586)**	(18,683)
(Increase) decrease in receivables for investment securities sold	**(87,226)**	16,621
Decrease in accrued interest and dividends receivable	**2,407**	3,668
Increase (decrease) in payables for investment securities purchased	**269,068**	(189,103)
Increase (decrease) in accounts payable	**21,972**	(45,083)
Decrease in accrued benefits payable	**(7,837)**	(183)
Increase (decrease) in due to New York Police Department variable supplements fund	**47,069**	(17,983)
Total adjustments	**(591,976)**	(708,842)
Net cash provided by (used in) operating activities	**41,069**	(349,932)
Cash flows from investing activities		
Proceeds on sale of securities	**20,879,668**	16,407,533
Payments for the purchase of securities	**(21,387,946)**	(16,315,821)
Interest and dividend income	**345,248**	380,181
Net cash (used in) provided by investing activities	**(163,030)**	471,893
Net (decrease) increase in cash	**(121,961)**	121,961
Cash at beginning of year	**121,961**	–
Cash at end of year	$ **–**	$ 121,961

See accompanying notes to financial statements.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements

June 30, 1992

1. Plan Description

The City of New York (the "City") maintains a number of pension systems providing benefits for its employees and employees of various agencies (as defined within plan documents). The City's main pension systems are the New York Police Department Pension Fund—Subchapter 2 (the "Plan"), the New York City Employees' Retirement System, the Teachers' Retirement System, the Board of Education Retirement System and the Fire Department Pension Fund—Subchapter 2. Each pension system is a separate Public Employee Retirement System ("PERS") with a separate oversight body and is financially independent of the others.

There are no component units of the Plan. In determining its oversight responsibility, the Plan considers financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

The Plan is a single employer PERS. The Plan provides pension benefits for full-time uniformed employees of the Police Department. All full-time uniformed employees of the New York Police Department are required to become members of the Plan upon employment.

The Plan functions in accordance with existing State statutes and City laws. It combines features of a defined benefit pension plan with those of a defined contribution pension plan. Contributions are made by the employer and the members. Employer contributions and investment income provide all benefits not provided by member contributions.

The Plan is a component unit of the City and is included in the City's Comprehensive Annual Financial Report ("CAFR") as a pension trust fund.

At June 30, 1992 and 1991, the Plan's membership consisted of:

	1992	**1991**
Retirees and beneficiaries currently receiving benefits	**29,970**	29,557
Terminated vested participants not yet receiving benefits	**52**	51
Total	**30,022**	29,608

1. Plan Description (continued)

	1992	1991
Current employees:		
Vested	**5,192**	5,805
Nonvested	**22,472**	22,071
Total	**27,664**	27,876

The Plan provides three main types of retirement benefits: service retirements, ordinary disability retirements (non job-related disabilities) and accident disability retirements (job-related disabilities).

- A service retirement provides an allowance of one half of "final salary" (as defined within Plan documents) after 20 or 25 years of service (as elected), with additional benefits equal to a specified percentage per year of service (currently approximately 1.67%) of "average salary" (as defined within Plan documents) times number of years in excess of the 20 or 25 year minimum. These additional benefits are increased, where applicable, by any annuity attributable to employee contributions with respect to service over the 20 or 25 year minimum and by any benefits attributable to the employer's contributions with respect to such service under the Increased-Take-Home-Pay ("ITHP") program.

- An ordinary disability retirement generally provides a pension equal to 1/40 of final salary times the number of years of service but not less than one-half of final salary if ten or more years of service were completed or one-third of final salary if less than ten years of service were completed.

- An accident disability retirement provides a pension of three-fourths of final salary plus an annuity based on the member's contributions with accumulated interest and an amount accumulated under the ITHP program.

Certain service retirees also receive supplemental benefits under the New York Police Department variable supplements funds, which are not included in these financial statements.

The Plan also includes provisions for death benefits.

New York Police Department Pension Fund—Subchapter 2

Notes to Financial Statements (continued)

1. Plan Description (continued)

Subject to certain conditions, members become fully vested as to benefits upon the completion of 15 years of service.

The New York State Constitution provides that the pension rights of public employees are contractual and shall not be diminished or impaired. In 1973, amendments were made to the State Retirement and Social Security Law to modify certain benefits for employees joining the Plan on or after the effective date of such amendments. These amendments, which affect employees who joined the Plan after July 1, 1973, established certain benefit limitations relating to eligibility for retirement, the salary base for benefits and maximum benefits.

2. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The Plan is accounted for on the accrual basis where the measurement focus is on the flow of economic resources. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Method Used to Value Investments

Investments in debt securities and mortgages are stated at cost, increased or decreased by amortization of purchase discount or premium. Investments in equity securities are stated at the last reported sales price on a national securities exchange on the last business day of the fiscal year. Securities purchased pursuant to agreements to resell are carried at the contract price, exclusive of interest, at which the securities will be resold.

Purchases and sales of securities are reflected on the trade date. Realized gains or losses on sales of securities are based on the average cost of securities.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

No investment in any one organization represents 5% or more of the net assets available for pension benefits.

2. Summary of Significant Accounting Policies and Plan Asset Matters (continued)

Income Taxes

Income retained by the Plan is not subject to Federal income tax.

Related Parties

Administrative expenses are paid by the City.

The Comptroller of the City of New York is custodian of plan assets. The Comptroller also provides cash receipt and cash disbursement services to the Plan. Actuarial services are provided to the Plan by the City's Office of the Actuary employed by the Boards of Trustees of the City's main pension systems. The City's Corporation Counsel provides legal services to the Plan. Other administrative services are also provided by the City.

Other

Accounts payable represents, principally, amounts due to banks for benefit payments made on or before June 30, 1992; transfers to the appropriate bank accounts were made after that date.

3. Deposits and Investments

The Administrative Code of The City of New York authorizes the investment of Plan assets (other than equities) subject to the terms, conditions, limitations and restrictions imposed by law for investment by savings banks.

The criteria for the Plan investments are as follows:

a. Fixed income investments may be made only in U.S. Government securities, securities of Government agencies backed by the U.S. Government, securities of companies rated Single A or better by both Standard & Poor's Corporation and Moody's Investors Service and any bond on the Legal Investments for New York Savings Banks list published annually by the New York State Banking Department.

3. Deposits and Investments (continued)

b. Equity investments may be made only in those stocks that meet the qualifications of the State Retirement and Social Security Law.

c. Short-term investments may be made in the following instruments:

   (i) U.S. Government securities or Government agencies' securities fully guaranteed by the U.S. Government.

   (ii) Commercial paper rated Al or Pl by Standard & Poor's Corporation or Moody's Investors Service, respectively.

   (iii) Repurchase agreements collateralized in a range of 100% to 103% of matured value purchased through the primary dealers of U.S. Government securities.

d. Investments in bankers acceptances and certificates of deposit may be made with any of the ten largest banks with either the highest or next to the highest rating categories of the leading independent bank rating firms.

e. Investments up to 7.5% of total pension fund assets in instruments not specifically covered by the State Retirement and Social Security Law.

Cash deposits are fully insured by the Federal Deposit Insurance Corporation for up to $100,000 per pension member.

Investments of the Plan are categorized by level of credit risk (the risk that a counterparty to an investment transaction will not fulfill its obligations). Category 1, the lowest risk, includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3, the highest risk, includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the entity's name.

3. Deposits and Investments (continued)

Investments owned by the Plan at June 30, 1992 and 1991 are summarized as follows (in thousands):

	1992		1991	
	Total Carrying Amount	Market Value	Total Carrying Amount	Market Value
Categorized (A)				
Repurchase agreements	$ 38,825	$ 38,825	$ 7,145	$ 7,145
Commercial paper	114,263	114,263	84,287	84,287
U.S. Government securities	2,020,493	2,089,021	1,988,675	1,997,980
Corporate bonds	874,036	893,931	715,445	716,993
Equity securities (cost was $2,197,531 and $2,026,739, respectively	3,578,209	3,578,209	3,155,829	3,155,829
Other	75,068	76,699	64,173	64,102
	6,700,894	6,790,948	6,015,554	6,026,336
Noncategorized (B)				
Short-term investment fund	400,923	400,923	176,635	176,635
Mortgages	91	(C)	569	(C)
International investment fund—fixed income	63,000	83,223	63,000	65,520
International investment fund—equities (cost was $421,551 and $332,664, respectively)	417,023	417,023	314,135	314,135
	$ 7,581,931		$ 6,569,893	

(A)—All categorized investments are Category 1.
(B)—These securities are not categorized because they are not evidenced by securities that exist in physical or book-entry form.
(C)—Market values for these investments are not readily determinable.

3. Deposits and Investments (continued)

The components of the net realized and unrealized gain on investments are as follows (in thousands):

	1992	1991
Realized gain:		
Proceeds from sales and redemptions	$ 20,879,668	$ 16,407,533
Carrying value of securities	20,660,240	16,327,560
	219,428	79,973
Increase in unrealized appreciation of equity securities	265,586	18,683
Net realized and unrealized gain	$ 485,014	$ 98,656

4. Funding Status and Progress

The amount shown below as pension benefit obligation ("PBO") is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date.

The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Plan's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS. The measure is independent of the actuarial funding method used to determine contributions to the PERS.

Actuarial valuations are performed annually as of June 30. The latest valuation to determine the pension benefit obligation was made as of June 30, 1992.

4. Funding Status and Progress (continued)

The more significant assumptions used to calculate the PBO at June 30, 1992 and 1991 are as follows:

Assumed rate of return on investments	8.5% per annum.
Mortality basis	Tables based on current experience.
Turnover	Tables based on current experience.
Retirement	Tables based on current experience. Varies from earliest age a member is eligible to retire (age at completion of 20 years of service) until age 63.
Salary	In general, merit and promotion component averaging 1% per year plus assumed general wage increase of 5.5% per year.

The excess of the pension benefit obligation over the net assets available for pension benefits based on the asset valuation assumptions above has been calculated by the Plan's actuary as of June 30, 1992 and 1991 and amounted to:

	1992	1991
	(In millions)	
Pension benefit obligation for:		
Retirees and beneficiaries currently receiving benefits and terminated vested participants not yet receiving benefits	**$ 5,334**	$ 5,020
Current employees:		
Employee contributions with interest	**385**	351
Employer—financed vested	**1,291**	1,343
Employer—financed nonvested	**1,805**	1,576
Total pension benefit obligations	**8,815**	8,290
Net assets available for pension benefits	**7,775**	7,142
Unfunded pension benefit obligations	**$ 1,040**	$ 1,148

4. Funding Status and Progress (continued)

The PBO is the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service as required by GASB Statement No. 5.

The same actuarial assumptions used to calculate the employer contributions are used to determine the PBO.

The Administrative Code of the City of New York provides that the Plan pay to the New York Police Department variable supplements funds an amount equal to earnings on equity investments which exceed what the earnings might have been had such funds been invested in fixed income investments, less any cumulative deficiencies. For fiscal year 1991, there were no excess earnings on equity investments. For fiscal year 1992, excess earnings on equity investments was $47 million.

Chapter 247 of the Laws of 1988 modified the method for determining the amount of any deficit for the Police Officers' Variable Supplements Fund ("POVSF"). It also provided that interest will accrue on the cumulative deficit attributable to the POVSF until subsequent favorable returns on stocks eliminate any cumulative deficit. These changes serve to reduce the amount of the excess earnings payable from the Plan.

5. Contribution Required and Contribution Made

The financial objective of the Plan is to fund employees' retirement benefits during their active service and to establish contribution rates which, expressed as a percentage of active payroll, will remain approximately level from generation to generation.

The frozen entry age actuarial cost method of funding is utilized by the Plan's actuary to calculate the contribution from the employer. Under this method, the excess of the actuarial present value of projected benefits of members as of the valuation date, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability is allocated on a level basis over the future earnings of members who are on the payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

5. Contribution Required and Contribution Made (continued)

Unfunded actuarial accrued liabilities are amortized as follows for June 30, 1992 and June 30, 1991: The Unfunded Accrued Liability ("UAL") and the Balance Sheet Liability ("BSL") as of June 30, 1990 are being amortized over 20 years using schedules of payments for the UAL and BSL components combined, comparable in pattern to the schedules of payments for the first five years that were in effect under the amortization schedules immediately prior to the change in funding provisions, with the balance of the UAL and BSL components at the end of five years being amortized over the remaining 15 years. The BSL components are being amortized using level payments over 20 years from June 30, 1990.

The actuarial asset valuation method utilized to determine the fiscal year 1992 employer contributions differed from that used to determine the fiscal year 1991 employer contributions. The fiscal year 1992 employer contribution decreased by approximately $40 million compared to what it would have been utilizing the former actuarial asset valuation method. The change in actuarial asset valuation method was adopted to reflect on a more current basis market fluctuations of investments held by the Plan.

Employer contributions, including the amount to fund the employer contribution receivable—long-term, are accrued by the Plan and are funded by the employer on a current basis and amounted to $432.2 million and $443.6 million for fiscal years ended June 30, 1992 and 1991, respectively. Employer contributions were equal to the actuary's recommendation.

Member contributions are made on the basis of a normal rate of contribution that is assigned by the Plan at the time of membership. The normal rate, which is dependent upon the member's age and plan, as well as the tables in effect at the time of membership, is determined so as to provide an annuity that will be approximately one-quarter of the service retirement allowance at the earliest date for service retirement. Members may voluntarily increase their rates of contribution by 50% for the purpose of purchasing an additional annuity.

Contributions from members are recorded when the employer makes payroll deductions from Plan members. Members are permitted to borrow up to 75% of their own contributions including accumulated interest. These loans are accounted for as reductions in such member's contribution accounts.

5. Contribution Required and Contribution Made (continued)

Member contributions (net of loans to members) amounted to $15.2 million and $13.0 million for the years ended June 30, 1992 and 1991, respectively.

Employer contributions, exclusive of employer contribution receivable—long-term, as a percentage of current-year covered payroll were 31.6% and 33.6% for fiscal years ended June 30, 1992 and 1991, respectively. Employee contributions as a percentage of current-year covered payroll were 1.1% and 1.0% at June 30, 1992 and 1991, respectively.

The employer contribution for normal cost was $279.8 million (21.0% of current covered payroll) and for amortization of actuarial accrued liability, including the amount to fund the employer contribution receivable—long-term, was $152.4 million (11.4% of current covered payroll) for fiscal year ended June 30, 1992; the contribution for normal cost was $283.9 million (21.9% of current covered payroll) and for amortization of actuarial accrued liability, including the amount to fund the employer contribution receivable—long-term, was $159.7 million (12.3% of current covered payroll) for fiscal year ended June 30, 1991.

Upon termination of employment before retirement, members are entitled to refunds of their own contributions, including accumulated interest, less any loans outstanding. Member contribution account balances, reduced by loans and refunds, at June 30, 1992 and 1991 were approximately $385.0 million and $351.4 million, respectively.

The asset valuation method for the entire portfolio (equities and fixed income) is one that values the assets using a typical five-year average market value method. However, if the asset value calculated in this manner exceeds 120% or is less than 80% of the market value on the valuation date, then it is lowered or raised to 120% or 80% of market value, respectively.

For the June 30, 1991 actuarial valuation to calculate the fiscal year 1992 employer contribution, the actuarial asset valuation method recognized expected investment return immediately and phases in investment return greater or less than expected return over a period of five years. To implement this new method, a "market value restart" was utilized to reset the actuarial asset value to market value as of June 30, 1991.

5. Contribution Required and Contribution Made (continued)

For the June 30, 1990 actuarial valuation to calculate the fiscal year 1991 employer contribution, the actuarial asset valuation method recognized interest and dividend income immediately and phased in capital appreciation or depreciation over a period of five years.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension benefit obligation discussed in Note 4.

6. Ten-Year Historical Trend Information

The unaudited ten-year historical trend information presented on Schedules 1 through 3 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due.

The trend information in these Notes to the Financial Statements and Supplementary Information differs from the trend information for those years shown in the Notes to Financial Statements in the City's CAFR. The trend information for Net Assets Available for Pension Benefits shown in these Notes to the Financial Statements and Supplementary Information includes the Employer Contribution Receivable—Long-Term.

7. Financial Accounting Standards Board, Governmental Accounting Standards Board and National Council on Governmental Accounting Actions Regarding Pension Funds of State and Local Governments

The National Council on Governmental Accounting ("NCGA") Statement No. 6 ("NCGA 6"), "Pension Accounting and Financial Reporting: Public Employee Retirement Systems and State and Local Government Employers," which was planned to be effective for plan years beginning after June 15, 1982, differs in certain material respects from Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standard No. 35 ("SFAS 35"), "Accounting and Reporting by Defined Benefit Pension Plans." Since the FASB declared SFAS 35 applicable to both private and public sector pension plans, the NCGA and the FASB undertook discussions aimed at mutually

7. Financial Accounting Standards Board, Governmental Accounting Standards Board and National Council on Governmental Accounting Actions Regarding Pension Funds of State and Local Governments (continued)

deferring the effective dates of both documents. NCGA 6 was extended indefinitely, to allow time for a reconciliation of differences between these pronouncements. The FASB by means of SFAS 75, dated November 1983, indefinitely deferred the effective date of SFAS 35 for public sector pension plans.

SFAS 35 and NCGA 6 differ, among other things, with regard to asset valuation and disclosure of actuarial liabilities. SFAS 35 requires investments to be stated at fair value (the amount reasonably expected to be received in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale), while NCGA 6 requires equity investments to be stated at cost and fixed income securities to be stated at amortized cost. As indicated previously, the Plan states equity investments at market value and fixed income securities at amortized cost. SFAS 35 requires disclosure of the actuarial present value of accumulated plan benefits, as defined therein; NCGA 6 requires disclosure of the actuarial present value of credited projected benefits, as defined in that document, which takes into consideration future salary increases.

In June 1984, GASB succeeded NCGA as the professional standards setting body for governmental accounting principles. In July 1984, GASB issued Statement No. 1, "Authoritative Status of NCGA Pronouncements and AICPA Audit Guide," effectively confirming that NCGA 6 remains a source of acceptable accounting and reporting principles for public employee retirement systems until such time as GASB has reviewed the differences with FASB and a decision to alter the conclusions of NCGA 6 is determined.

In November 1986, GASB issued Statement No. 5, "Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers" effective for financial reports issued for fiscal years beginning after December 15, 1986. The requirements of GASB Statement No. 5 have been implemented in these financial statements.

8. Employer Contribution Receivable—Long-Term

As a result of state legislation in 1982, the City made certain revisions, effective July 1, 1980, to the Plan. Among other provisions, the legislation changed the timing of pension contributions by the City. Prior to enactment, pension contributions were made on a statutory basis which reflected pension costs incurred two years earlier. The law provides that the accrued pension contributions receivable from the City at June 30, 1980, as adjusted, must be amortized over 40 years beginning in fiscal 1982, with interest at 7.5% (8% beginning in fiscal 1983, 8.25% beginning in fiscal 1989 and 8.5% beginning in 1991).

Chapter 608 of the Laws of 1991 now provides that the accrued pension contributions receivable from the City at June 30, 1990 be amortized over 20 years beginning in fiscal 1991 with interest at 8.5%. The interest is included in employer contributions each year.

9. Investment Advisors

The Comptroller of the City of New York utilizes several investment advisors to manage long-term debt and equity portfolios. Advisors must obtain prior approval before each purchase or sale of a particular security. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

10. Contingent Liabilities

The Plan has a number of claims pending against it and has been named as defendant in a number of lawsuits. The Plan also has certain other contingent liabilities. Management of the Plan, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the net assets available for pension benefits or changes in net assets available for pension benefits of the Plan. Under the State statutes and City laws that govern the functioning of the Plan, increases in the obligation of the Plan to members and beneficiaries ordinarily result in increases in the obligations of the City to the Plan.

Schedule 1

New York Police Department Pension Fund—Subchapter 2

Analysis of Funding Progress (Unaudited)

(In Thousands)

Fiscal Year Ended June 30	(1) Net Assets Available for Benefits (Note A)	(2) Pension Benefit Obligation (Notes B & C)	(3) Percentage Funded (1)/(2)	(4) Unfunded Pension Benefit Obligation (2)-(1) (Note E)	(5) Annual Covered Payroll (Note D)	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4)/(5)
1983	$3,505,050	$4,830,110	72.6%	$1,325,060	$ 678,268	195.4%
1984	3,571,890	5,207,242	68.6	1,635,352	747,330	218.8
1985	4,161,276	5,612,979	74.1	1,451,703	858,597	169.1
1986	4,670,010	7,169,151	65.1	2,499,141	980,554	254.9
1987	5,308,189	7,769,507	68.3	2,461,318	1,066,248	230.8
1988	5,438,723	7,038,428	77.3	1,599,705	1,198,145	133.5
1989	6,177,969	7,509,260	82.3	1,331,291	1,184,042	112.4
1990	6,783,210	7,893,983	85.9	1,110,773	1,241,938	89.4
1991	7,142,120	8,290,195	86.2	1,148,075	1,295,023	88.7
1992	7,775,165	8,814,780	88.2	1,039,615	1,332,598	78.0

Schedule 1 (continued)

New York Police Department Pension Fund—Subchapter 2

Analysis of Funding Progress (Unaudited) (continued)

(Note A)—The net assets available for benefits includes the employer contributions receivable—long-term.

(Note B)—The pension benefit obligation ("PBO") as of June 30, 1992, 1991, 1990, 1989 and 1988 is not entirely comparable to that shown for the prior five years. The amount of the PBO depends upon the methodology used in determining what portion of each member's total projected benefit is attributed to his or her service to the date of the actuarial valuation. The methodology for the June 30, 1988 valuation used a proration of such benefit, based upon service to the valuation date, as required by GASB Statement No. 5. The amount attributed under the methodology used for valuations prior to June 30, 1988, was based directly upon the benefit credited to date under the Plan's benefit formula. The June 30, 1988 PBO decreased by $1,487 million compared to what it would have been using the former methodology. During 1989 actuarial assumptions relating to the assumed rate of return on investments, mortality, turnover and retirement were changed. If the same assumptions had been used at June 30, 1988, the June 30, 1988 PBO would have increased by approximately $216 million compared to what it is using the former assumptions. The June 30, 1991 PBO decreased by approximately $168 million as a result of changing the actuarial assumption for rate of return on investments.

(Note C)—During the years prior to June 30, 1987 there were changes to actuarial assumptions and benefit provisions. It is not practicable to present the effect of such changes.

(Note D)—The annual covered payrolls were reduced by excluding therefrom all pending withdrawals (five-year outs, etc.). In addition, salaries were increased to reflect overtime earnings. Furthermore, adjustments were made for members not on the payroll at the dates shown, to reflect the fact that most of these members will not return to active service. The adjustments at June 30, 1987 were made to reduce salaries for these members by various percentages. The adjustments on June 30, 1988 and after were made to completely exclude the numbers and salaries for these members.

Schedule 1 (continued)

New York Police Department Pension Fund—Subchapter 2

Analysis of Funding Progress (Unaudited) (continued)

(Note E)—Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Schedule 2

New York Police Department Pension Fund—Subchapter 2

Revenue by Source (Unaudited)

(In Thousands)

Fiscal Year Ended June 30	Net Member Contributions	Employer Contributions	Investment Income	Other	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1983	$(22,895)	$299,560	$600,532	$ –	$ 877,197	44.2%
1984	15,192	297,047	62,227	–	374,466	39.7
1985	11,641	312,225	601,962	1,158	926,986	36.4
1986	21,139	422,995	843,221	–	1,287,355	43.1
1987	22,113	477,457	794,636	162	1,294,368	44.8
1988	17,990	496,478	56,423	830	571,721	41.4
1989	16,508	529,816	687,228	–	1,233,552	44.7
1990	15,994	475,107	661,772	62	1,152,935	38.3
1991	13,008	434,877	483,930	4,870	936,685	33.6
1992	15,226	421,322	846,599	–	1,283,147	31.6

Schedule 3

New York Police Department Pension Fund—Subchapter 2

Expense by Type (Unaudited)

(In Thousands)

Fiscal Year Ended June 30	Benefit Payments	Refunds	Administrative Expenses	Payments to Other Pension Funds	Total	Employer Contributions as a Percentage of Annual Covered Payroll
1983	$279,484	$3,958	$ –	$ –	$283,442	44.2%
1984	305,259	1,211	–	–	306,470	39.7
1985	335,602	1,996	2	–	337,600	36.4
1986	373,808	1,958	2	402,853	778,621	43.1
1987	408,428	1,437	3	246,321	656,189	44.8
1988	440,056	1,108	23	–	441,187	41.4
1989	490,688	1,105	5	2,508	494,306	44.7
1990	528,503	1,207	1	17,983	547,694	38.3
1991	576,901	874	–	–	577,775	33.6
1992	600,424	357	6	49,315	650,102	31.6

Schedule 4

New York Police Department Pension Fund—Subchapter 2

Administrative Expenses (Unaudited)

Year ended June 30, 1992

(In Thousands)

Expenses charged to Police agency budget:	
Salaries and wages	$ 1,924
~~Charges incurred by other City agencies on behalf of Police~~:	
Office of the Comptroller:	
Third Deputy Comptroller's office:	
Executive management costs	~~54~~
Personal service costs	~~440~~
Equity management	~~1,338~~
Fixed income management	~~3,257~~
Custodial services	~~558~~
International securities management	~~1,026~~
Publications	7
Other	112
First Deputy Comptroller's office:	
Personal service costs	159
Utilities, maintenance and telephone	12
Data processing	74
Postage and miscellaneous mailroom charges	137
General and administrative	173
	7,347
Law Department	335
Department of Finance	58
Office of Management and Budget	176
Total administrative expenses	$ 9,840

Note: Administrative expenses are defrayed by the City of New York.

Schedule 5

New York Police Department Pension Fund—Subchapter 2

Cash Receipts and Disbursements

Year ended June 30, 1992

(In Thousands)

Cash balance July 1, 1991	$ 121,961
Add receipts:	
Member contributions	14,519
Employer contributions	433,608
Interest and dividends	345,248
Investments redeemed	20,660,239
Decrease in payable for investments purchased	269,068
Realized gain	219,429
Total cash receipts	21,942,111
Total cash available	22,064,072
Less disbursements:	
Benefit payments	586,295
Investments purchased	21,387,947
Transfers to other Police Department funds	2,247
Refunds	357
Receivable for investment securities sold	87,226
Total cash disbursements	22,064,072
Cash balance June 30, 1992	$ –

Schedule 6

New York Police Department Pension Fund—Subchapter 2

Investment Summary

Year ended June 30, 1992

(In Thousands)

Type of Investment	June 30, 1991 Book Value	June 30, 1991 Market Value	Purchases	Sales and Redemptions	Net Amortization of Premium and Discount	June 30, 1992 Book Value	June 30, 1992 Market Value	% of Total Market Value
Commercial paper	$ 84,287	$ 84,287	$ 3,205,642	$ 3,175,666	$ –	$ 114,263	$ 114,263	1.48%
Repurchase agreements	7,145	7,145	7,706,689	7,675,009	–	38,825	38,825	.51
Short-term investments fund	176,635	176,635	2,770,736	2,546,448	–	400,923	400,923	5.21
Total short-term investments	268,067	268,067	13,683,067	13,397,123	–	554,011	554,011	7.20
					16,664			
U.S. Government debt securities	1,988,675	1,997,980	5,711,845	5,688,707	(7,984)	2,020,493	2,089,021	27.15
					13,242			
Corporate debt securities	715,445	716,993	855,558	707,364	(2,845)	874,036	893,931	11.62
International investment fund—fixed income	63,000	65,520				63,000	83,223	1.08
Mortgages	569	(A)	–	478	–	91	(A)	
					15			
Other debt securities	64,174	64,102	329,341	318,114	(348)	75,068	76,699	1.00
Total debt securities	2,831,863		6,896,744	6,714,663	18,744	3,032,688		
Equity securities	2,026,739	3,155,829	707,329	536,537	–	2,197,531	3,578,209	46.51
International investment fund—equities	332,663	314,135	100,807	11,916	–	421,554	417,023	5.42
Total equity securities	2,359,402		808,136	548,453	–	2,619,085		
Total investments	$5,459,332		$ 21,387,947	$ 20,660,239	$18,744	$6,205,784		100.00%

(A)—Market values for these investments are not readily determinable.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FIANANCIAL REPORT

ACTUARIAL SECTION
PART III

FOR THE
FISCAL YEAR ENDED JUNE 30, 1992

The City of New York

OFFICE OF THE ACTUARY
220 CHURCH STREET • NEW YORK, N.Y. 10013
(212) 566-7677 • FAX: (212) 566-2781

ROBERT C. NORTH, JR.
CHIEF ACTUARY

December 24, 1992

Members Of The Board Of Trustees
New York City Police Department,
Subchapter Two Pension Fund
One Police Plaza
New York, NY 10038

Re: Actuarial Information For The Component Unit Financial Report For The Fiscal Year Ended June 30, 1992

Dear Members:

The financial objective of the New York City Police Department, Subchapter Two Pension Fund is to fund members' retirement benefits during their active service and to establish employer normal contribution rates which, expressed as a percentage of active member annualized covered payroll, will remain approximately level over the future working lifetimes of those active members. Unfunded Actuarial Accrued Liabilities ("UAL") resulting from changes in benefits or from prior actuarial experience are funded by level dollar payments over periods not exceeding 20 years.

Employer contributions to the Pension Fund are made on a statutory basis consistent with generally accepted actuarial principles. Actuarial valuations are performed annually as of June 30.

The actuarial cost method used to determine Fiscal Year 1992 employer contributions is the Frozen Entry Age Actuarial Cost Method, where, because of the change in the actuarial interest rate, the UAL was reestablished as of June 30, 1990.

Under this method, as of the valuation date, the excess of the actuarial present value of projected benefits of members over the sum of the actuarial value of assets plus the UAL plus the actuarial present value of members' future contributions is allocated on a level basis over the future earnings of members who are on payroll. Actuarial gains and losses are reflected in the employer normal contribution rate.

Members Of The Board Of Trustees
December 24, 1992
Page 2

The UAL and the Balance Sheet Liability ("BSL") established as of June 30, 1990 are being amortized over 20 years using a schedule of payments for the UAL and BSL combined that is comparable in pattern to the schedule of payments for the first five years that was in effect under the amortization schedules immediately prior to the change in funding provisions, with the balance of the UAL and BSL components at the end of five years being amortized using level payments over the remaining 15 years. The BSL component is amortized using level payments over 20 years from June 30, 1990.

For the June 30, 1990 actuarial valuation used to calculate Fiscal Year 1991 employer contributions, the Actuarial Asset Valuation Method is a traditional five-year moving average of Market Value method, which recognizes interest and dividend income immediately and phases in capital appreciation or depreciation over a period of five years.

For the June 30, 1991 actuarial valuation used to calculate Fiscal Year 1992 employer contributions, the Actuarial Asset Valuation Method has been revised and recognizes expected investment return immediately and phases in investment return greater or less than expected return over a period of five years. To implement this new method, a "Market Value Restart" was used which reset the Actuarial Asset Value to Market Value as of June 30, 1991 and phases in returns greater or less than expected rates of return as they arise over the next five years.

Census data are submitted by the Pension Fund's administrative staff, by the employers' payroll facilities and by the Comptroller of the City of New York, and are reviewed by the Office of the Actuary for consistency and reasonability.

A summary of the benefits valued is provided elsewhere in this report.

Various schedules in this report present the financial position of the Pension Fund including information required by the Governmental Accounting Standards Board as of June 30, 1992.

Respectfully Submitted,

Robert C North Jr

Robert C. North, Jr.
Chief Actuary

RCN/bs

4026:PC#2:WP/bs

Police Department, Subchapter Two Pension Fund
Independent Actuary's Statement

William M. Mercer, Incorporated was engaged by the Office of the Comptroller of the City of New York to prepare an audit of the June 30, 1991 actuarial valuation of the Police Department, Subchapter Two Pension Fund. The audit included a review of the calculation of the actuarial assets and liabilities and verification of the calculations to determine employer contributions. We certify that while we relied on census information and audited asset information supplied by the Office of the Actuary, we prepared an independent review of all actuarial asset and liability calculations.

Financing Objectives

The City's financial objectives in funding the retirement system are to:

- Accumulate assets to meet the liabilities for termination, retirement, disability and death benefits.

- Maintain equity among generations of taxpayers by requiring that the cost, as a percentage of payroll, remains somewhat level from year to year.

To measure the progress toward satisfying these financing objectives, we typically calculate a funded ratio which compares the assets available for benefits with the present value of accrued benefits, assuming future salary increases. This accrued benefit is referred to in GASB Statement No. 5 as the Pension Benefit Obligation or PBO. The PBO funded ratios as of June 30, 1990 and June 30, 1991 were 88% and 86%, respectively. The June 30, 1990 figure differs from that published in the Component Unit Financial Report as a result of changes to actuarial assumptions and data made subsequent to the published report.

While the ratio decreased slightly from June 30, 1990 to June 30, 1991, the level of 86% funding of the PBO demonstrates commitment toward achieving the City's funding objectives.

In order to determine whether equity is maintained among generations of taxpayers, we review the contribution rates, as a percentage of payroll, to determine if they have, in fact, remained fairly level from year to year.

As of June 30, 1991, the contribution rate, as a percentage of payroll, decreased from 35.717% to 33.156%. The decrease was largely a result of the change in the asset valuation method, as described later in this document.

Recent Changes

The June 30, 1991 actuarial valuation of the System reflects the following changes:

- Change in the asset valuation method from one that averages capital appreciation and depreciation over five years to one that averages all returns after July 1, 1991 over five years to the extent that they exceed or fall short of the return based on the assumed actuarial interest rate.

- Arbitration ruling on a contract between the Patrolmen's Benevolent Association and the City granting members a retroactive 3.5% wage increase over the first 12 months of the contract and an additional 1% for the remaining three months of the contract which expired on October 1, 1991.

  In addition, members received a $1,000 increase in longevity pay.

Frequency of Actuarial Valuation

Actuarial valuations of the System are prepared annually by the Office of the Actuary of the City of New York. The most recent valuation was prepared as of June 30, 1991 and used to determine the contributions for the 1992 fiscal year.

Asset Valuation Method

Prior to June 30, 1991, the asset valuation method spread capital appreciation and depreciation over five years. The resulting actuarial asset value was then limited to 80% to 120% of market value of assets. The asset valuation method was changed effective June 30, 1991 to a method which immediately recognizes investment return equal to the expected return and spreads the difference between actual return and expected return over five years. As a transition measure, the actuarial value of assets, as of June 30, 1991, was set equal to the market value of assets as of such date. As under the prior method, the resulting actuarial asset value cannot be less than 80% or greater than 120% of the market value of assets as of the valuation date.

Examination of Data

We did not audit the data used in the June 30, 1991 actuarial valuation. However, we did review the data for reasonableness and completeness. Although the data appeared reasonable, there are two areas, where improvement continues to be needed. First, employee contribution information and ITHP accumulations were unavailable necessitating the use of assumptions in the valuation. Second, estimates continue to be made in cases where final certifications have not been processed, and new pensioners are being paid reduced benefits for a period of time.

Actuarial Assumptions

Since the June 30, 1990 actuarial valuation, there have been no changes in the actuarial assumptions used to determine plan contributions. The assumptions were last changed effective June 30, 1990 to bring the assumed interest rate to its current level of 8½%.

The change in the valuation interest rate was adopted by the New York State Legislature as well as by the Board of Trustees.

As part of our assignment, we have prepared an experience study of the System for the period between July 1, 1989 to June 30, 1991. We have identified a number of areas requiring further study and areas that should be closely monitored, but we do not recommend any changes at the current time.

Actuarial Audit

As part of our assignment, we have audited the asset, liability and contribution calculations prepared by the Office of the Actuary. We certify that the calculation of the actuarial value of assets and contributions is in accordance with the methods adopted and the New York City Administrative Code and Charter. While we differ slightly with the liabilities calculated by the Office of the Actuary, we believe that small differences between actuaries are normal and are the result of different but equally valid approaches to the handling of certain mathematical functions. Therefore, the figures developed by the Office of the Actuary are reasonable and appropriate for use in the development of System contributions.

Respectfully submitted,

Sheldon A. Gamzon, F.S.A.
Principal

Caren L. Bianco

Caren L. Bianco, F.S.A.
Associate

I have reviewed the methodology used in the audits, and have found them to be reasonable.

Mary S. Riebold, F.S.A.
Managing Director

SAG/CLB/MSR/lmc

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

(1) The assumed rate of return on investment is 8.50 per annum effective June 30, 1990.

(2) The mortality tables for service and disability pensioners were developed from an experience study of the New York City Police Department, Subchapters One and Two Pension Fund pensioners. Sample probabilities are shown in Table 1.

(3) A retirement Table is used to predict retirements and deaths after eligibility for service benefits. Sample probabilities are shown in Table 2.

(4) An active service table is used to predict various withdrawals from active service. Sample probabilities are shown in Table 3.

(5) A salary scale is used to estimate salaries at retirement or death. Sample percentage increases are shown in Table 4. The salary scale includes an assumed wage inflation rate of 5 1/2%.

(6) The valuation method assumes a closed group. Salaries of members on the valuation date are assumed to increase in accordance with the salary scale.

(7) The Frozen Entry Age Actuarial Cost Method is ulitized by the Plans' Actuary to calculate the contribution from the employer.

Under this method, the excess of the actuarial present value of Projected Benefits of members as of the valuation date, over the sum of the actuarial value of assets plus the unfunded frozen actuarial accrued liability, is allocated on a level basis over the future earnings of members who are on payroll as of the valuation date. Actuarial gains and losses are reflected in the employer normal contribution rate.

Chapter 608 of the Laws of 1991 amended the funding provisions effective June 30, 1990.

NEW YORK CITY POLICE DEPARTMENT,
SUBCHAPTER TWO PENSION FUND

This law provides that the Unfunded Accrued Liability ("UAL") and the Balance Sheet Liability ("BSL") as of June 30, 1990 be amortized over 20 years using a schedule of payments for the UAL and BSL combined that is comparable in pattern to the schedule of payments for the first five years that was in effect under the amortization schedules immediately prior to the change in funding provisions, with the balance of the UAL and BSL components at the end of five years being amortized over the remaining 15 years. The BSL component is amortized using level payments over 20 years from June 30, 1990.

(8) The demographic assumptions described herein were adopted effective June 30, 1988. These assumptions were based on an experience study of the period July 1, 1982 through June 30, 1987. Details of this study are included in the Buck consultants report, Final Report On the Experience Study of Five Retirement Systems of the City of New York, dated July 26, 1988. The rate of return on investment assumption was adopted effective June 30, 1990. The actuarial cost method was adopted effective June 30, 1990. The actuarial asset valuation method was adopted effective June 30, 1991.

(9) Male rates are used for both males and females, since the number of female members is not significant.

(10) The Actuarial Asset Valuation Method, is one that values the assets using a typical five-year average market value method.

However, if the asset value calculated in this manner exceeds 120% or is less than 80% of the Market Value on the valuation date, then it is lowered to 120% or raised to 80% of Market Value, respectively.

For the June 30, 1991 actuarial valuation (used to calculate the Fiscal Year 1992 employer contribution), the Actuarial Asset Valuation Method recognizes expected investment return immediately and phases in investment return greater or less than expected return over a period of five years. To implement this new method, "Market Value Restart" was used which reset the Actuarial Asset Value to Market Value as of June 30, 1991 and phases in returns greater or less than expected rates of returns as they arise over the next five years.

For the June 30, 1990 actuarial valuation (used to calculate the Fiscal Year 1991 employer contribution), the Actuarial Asset Valuation Method recognized interest and dividend income immediately and phased in capital appreciation or depreciation over a period of five years.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

Table 1

Deaths Among Service and Disability Pensioners

Percent of Pensioners Dying Within Next Year

Age	Service Pensioners	Disability Pensioners
40	.3179%	.4192%
50	.5063	.9356
60	1.3447	1.9134
70	3.5049	4.5521
80	9.4393	12.0791
90	18.2404	21.5143
100	33.1849	35.3333
110	100.0000	100.0000

Table 2

Retirements and Deaths after Eligibility for Service Benefits

Percent of Eligible Active Members Retiring
or Dying Within Next Year

	Service Retirements Years of Service since Eligibility			Accident Disability	Ordinary Disability	
Age	0-1	1-2	More than 2	Retirements	Retirements	Death
40	38.0000%	--	--	2.3262%	.9719%	.1387%
45	35.0000	15.0000	10.0000%	2.4215	1.1253	.2426
50	30.0000	15.0000	8.0000	2.5175	1.7789	.3899
55	20.0000	10.0000	7.0000	3.1928	3.2860	.5662
60	20.0000	10.0000	7.0000	4.3876	5.8335	.7687
63	85.5450	85.5450	85.5450	5.3702	8.1797	.9051

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

Table 3

Withdrawals from Active Service before Eligibility for Service Benefits

Percent of Active Members Separating Within Next Year

Age	Withdrawal	Accident Death	Ordinary Death	Accident Disability	Ordinary Disability
20	7.000%	.020%	.0574%	.2625%	.0682%
25	6.500	.020	.0625	.5198	.2040
30	5.000	.020	.0681	1.0009	.5762
35	2.000	.020	.0831	1.9980	.8667
40	1.500	.020	.1387	2.3262	.9719
45	1.000	.020	.2426	2.4215	1.1253
50	.500	.010	.3899	2.5175	1.7789
55	.184	--	.5662	3.1928	3.2860
60	.125	--	.7687	4.3876	5.8335

Table 4

Salary Scale

Age	Assumed Annual Percentage Increases Within Next Year
20	13.42%
25	9.66
30	7.23
35	6.18
40	5.98
45	5.77
50	5.58
55	5.53
60	5.50

Of the total increase shown, 5 1/2% is assumed to be general wage increase due to inflation and the remainder is assumed to be merit and promotion.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

TREND OF ECONOMIC ASSUMPTIONS

To fully evaluate trends in actuarial values, changes in assumptions and benefits need to be considered. The economic assumptions used in the actuarial calculations for pension benefit obligations are as follows:

Fiscal Year	Assumed rate of return on investment	Merit and promotion component averaging approximately 1% per year plus an assumed general increase per year of
1983	8.0%	6.5%
1984	8.0	6.5
1985	8.0	6.5
1986	8.0	5.5
1987	8.0	5.5
1988	8.0	5.5
1989	8.25	5.5
1990	8.25	5.5
1991	8.50	5.5
1992	8.50	5.5

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

VALUATION DATE	NUMBER*	ANNUAL PAYROLL	ANNUAL AVERAGE PAY	% INCREASE IN AVERAGE PAY
6/30/83	24,265	$ 688,483,523	$28,374	7.5
6/30/84	24,943	757,460,611	30,368	7.0
6/30/85	26,986	867,997,441	32,165	5.9
6/30/86	27,380	958,948,300	35,024	8.9
6/30/87	28,341	1,049,129,615	37,018	5.7
6/30/88	28,144	1,163,247,025	41,332	11.7
6/30/89	26,440	1,184,041,790	44,782	8.3
6/30/90	25,927	1,241,937,674	47,901	7.0
6/30/91	27,368	1,303,588,785	47,632	(5.6)
6/30/92	27,249	1,332,598,223	48,904	2.7

* Prior to 1986 overtime earnings were not reflected in the salaries. Beginning June 30, 1986 salaries were increased by 4% to reflect overtime earnings.

Prior to 1989 active members included all those who were on payroll within the last five years. Beginning June 30, 1989 active members includes only those who were on payroll as of the valuation date.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS END OF YEAR			
YEAR ENDED	NUMBER(1)	ANNUAL ALLOWANCES	NUMBER(2)	ANNUAL ALLOWANCES	NUMBER	ANNUAL ALLOWANCES	% INCREASE IN ANNUAL ALLOWANCES	AVERAGE ANNUAL ALLOWANCES
6-30-83	1978	$39,465,489	229	$2,884,409	20874	$274,179,416	15.4	$13,135
6-30-84	1614	32,454,286	237	3,112,758	22251	303,520,944	10.7	13,641
6-30-85	1146	26,555,157	257	3,505,480	23140	326,570,621	7.6	14,113
6-30-86	1507	41,594,530	304	4,290,352	24343	363,874,799	11.4	14,948
6-30-87	1536	49,927,245	319	4,768,412	25560	409,033,632	12.4	16,003
6-30-88	1247	47,650,374	347	5,537,773	26460	451,146,233	10.3	17,050
6-30-89	1290	31,356,392	356	6,069,800	27394	476,432,825	5.6	17,392
6-30-90	1735	36,242,327	403	7,008,976	28726	505,666,176	6.1	17,603
6-30-91	1355(3)	63,565,988	524(4)	9,223,972	29557	560,008,192	10.8	18,947
6-30-92	885(3)	44,507,805	472(4)	8,942,984	29970	595,573,013	6.4	19,872

(1) ACTUAL PENSION NUMBERS ISSUED DURING FISCAL YEAR.

(2) ACTUAL TERMINATION NUMBERS ISSUED DURING FISCAL YEAR.

(3) SUM OF THE NUMBER ADDED DURING YEAR AND THE NUMBER OF ADDITIONS BY TRANSFER AS SHOWN ON LINES 2 AND 3 OF PAGE 6 OF THE ANNUAL STATEMENT TO THE NEW YORK STATE INSURANCE DEPARTMENT.

(4) SUM OF THE NUMBER OF DEATHS AND THE NUMBER DECREASED BY TRANSFER AS SHOWN ON LINES 5(f) AND 5(g) OF PAGE 6 OF THE ANNUAL STATEMENT TO THE NEW YORK STATE INSURANCE DEPARTMENT.

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NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
SOLVENCY TEST

ANALYSIS OF FUNDING PROGRESS IN CONFORMITY WITH THE PENSION FUND'S FUNDING METHOD

AT JUNE 30,	ACTUARIAL VALUE OF ASSETS (a)	ACCRUED PENSION BENEFIT LIABILITY (b) (IN THOUSANDS)	PERCENTAGE (a)/(b)=(c)	UNFUNDED ACCRUED PENSION BENEFIT LIABILITY (b)-(a)=(d)	TOTAL ANNUALIZED PAYROLL (e)	PERCENTAGE (d)/(e)=(f)
1982...........	$2,140,701	$3,540,998	60.5%	$1,400,297	$644,673	217.2%
1983...........	2,538,305	3,931,543	64.6%	1,393,238	678,268	205.4%
1984...........	2,812,959	4,195,463	67.0%	1,382,504	747,330	185.0%
1985...........	3,098,196	4,726,857	65.5%	1,628,661	886,142	183.8%
1986...........	3,363,344	5,002,539	67.2%	1,639,195	980,554	167.2%
1987...........	3,827,780	5,573,444	68.7%	1,745,664	1,066,248	163.7%
1988...........	4,301,900	6,114,974	70.4%	1,813,074	1,196,135	151.6%
1989...........	5,043,761	6,814,238	74.0%	1,770,477	1,184,042	149.5%
1990...........	5,670,648	7,112,098	79.7%	1,441,450	1,241,938	116.1%
1991...........	6,444,866	7,842,497	82.2%	1,397,631	1,303,589	107.2%
1992...........	NA	NA	NA	NA	NA	NA

TO EFFECTIVELY ASSESS THE FUNDING PROGRESS OF A RETIREMENT SYSTEM, IT IS NECESSARY TO COMPARE THE ACTUARIAL VALUE OF ASSETS AND THE ACCRUED PENSION BENEFIT LIABILITIES CALCULATED IN A MANNER CONSISTENT WITH THE RETIREMENT SYSTEM'S FUNDING METHOD OVER A PERIOD OF TIME.

THE ACTUARIAL VALUE OF ASSETS, USED TO DETERMINE THE EMPLOYER CONTRIBUTION RATE, IS SMOOTHED TO DAMPEN THE EFFECTS OF MARKET FLUCTUATIONS. AMOUNTS ATTRIBUTABLE TO EMPLOYEE CONTRIBUTIONS ARE EXCLUDED FROM BOTH THE ACTUARIAL VALUE OF ASSETS AND THE ACCRUED PENSION BENEFIT LIABILITY. FOR PURPOSES OF MAKING THESE CALCULATIONS, ACCRUED PENSION CONTRIBUTIONS RECEIVABLE FROM THE EMPLOYERS WERE NOT INCLUDED IN THE ACTUARIAL VALUE OF ASSETS.

THE ACCRUED PENSION BENEFIT LIABILITY IS CALCULATED CONSISTENT WITH THE RETIREMENT SYSTEM'S FUNDING METHOD AND ACTUARIAL ASSUMPTIONS THEN IN EFFECT.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
SCHEDULE OF RECOMMENDED VS. ACTUAL CONTRIBUTIONS
(IN THOUSANDS)

FISCAL YEAR ENDED	ACTUAL EMPLOYER CONTRIBUTIONS*	ACTUARY'S RECOMMENDED CONTRIBUTIONS	EMPLOYER RATES CONTRIBUTION**
6/30/83	$ 282,968	$ 287,831	44.648
84	299,639	299,639	44.177
85	315,022	315,022	42.153
86	426,015	426,015	48.075
87	480,720	480,720	49.025
88	500,001	500,001	46.893
89	533,621	533,621	44.612
90	447,397	477,397	40.319
91	443,582	443,582	35.717
92	433,608	432,223	33.263

* Represents contributions received on a cash basis per Actuary's recommendations. Contributions on the accrual basis are shown in the financial statements and "Schedule of Revenues by "Source".

** The employer rates of contribution represent a percentage of members salaries on the preceding June 30.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
STATEMENT OF PENSION BENEFIT OBLIGATION
(In thousands)

The excess of the Pension Benefit Obligation over the Net Assets Available for Benefits has been calculated by the Plan's Actuary as of June 30, 1992 and 1991 and amounted to:

ITEM	JUNE 30, 1992 (Millions)	JUNE 30, 1991 (Millions)
Pension Benefit Obligation for:		
Retirees and beneficiaries currently receiving benefits and terminated vested members not yet receiving benefits	$ 5,334	$ 5,020
Current employees:		
Employee contributions with interest	385	351
Employer-financed vested	1,291	1,343
Employer-financed nonvested	1,805	1,576
Total Pension Benefit Obligation	$ 8,815	$ 8,290
Net Assets Available for Benefits	$ 7,775	$ 7,142
Unfunded Pension Benefit Obligation	$ 1,040	$ 1,148

The PBO is the actuarial present value of credited projected benefits produced by the credited projected benefit attribution approach prorated on service as required by GASB Statement No. 5.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND
STATEMENT OF PENSION BENEFIT OBLIGATION

The same actuarial assumptions used to calculate the employer contributions are used to determine the PBO. Based on the actuarial assumptions last adopted by the Board of Trustees and an 8.50% per annum interest assumption, the June 30, 1991 PBO is $8.3 billion. The PBO decreased by approximately $167.5 million ultilizing the 8.50% per annum interest assumption compared to what it would have been using the former actuarial interest rate assumption of 8.25% per annum.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

SUMMARY OF PLAN PROVISIONS

DEFINITIONS

Accumulated Deductions - The total contributions made by a member to his annuity savings account, with regular and special interest thereon.

Reserve for Increased Take Home Pay ("ITHP") - A reserve consisting of 2.5% or 5% of the member's salary, pursuant to the provisions of Section 13-226 of the Code, accumulated with regular and additional interest.

Minimum Accumulation - The amount of normal contributions accumulated with interest to the earliest date for service retirement less the amount of the reserve for ITHP on such date.

Final Salary - (1) For a member who joined prior to July 1, 1973, the annual rate of salary earnable on the date of retirement. (2) For a member who joined after June 30, 1973, the average salary earned during any three consecutive years which provide the highest average salary. However, if the salary earned during any year included in this three year period exceeds the average of the previous two years by more than twenty percent, the amount in excess of twenty percent is excluded from the computation.

Variable Supplements Funds - Funds independent of the Police Pension Fund established pursuant to Chapter 876 of the Laws of 1970, under which service retirees receive supplemental benefits financed by earnings on equities in excess of what could have been realized on fixed income securities.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

BENEFITS

Briefly stated, the benefit provisions and the contribution provisions, of which account was taken in the valuation, are as follows:

I. SERVICE RETIREMENT

The service retirement allowance consists of two parts, a pension payable from City contributions and an annuity from member's contributions.

According to his election when he joined the Pension Fund, a member may retire from service after having completed 20 years of police service, or after having completed 25 years of police service, or at the attainment of age 55 regardless of years of service.

Upon retirement after having become eligible for service retirement the member receives an allowance which is the sum of (a) 50% of final salary, reduced by an annuity which is the actuarial equivalent of the minimum accumulation, (b) an annuity which is the actuarial equivalent of the accumulated deduction and (c) for all years of service other than the minimum required service:

(i) for a member who joined prior to July 1, 1973, 1/60 of average salary for the period of service after the completion of his minimum required service for each year of such service; for a member who joined after June 30, 1973, 1/60 of average salary for the period of service after the completion of his minimum required service for each of the first ten years of such service,

and

(ii) a pension for ITHP which is the actuarial equivalent of the reserve for ITHP.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

II. ORDINARY DISABILITY RETIREMENT

An ordinary disability retirement allowance is paid upon the disablement of a member from causes other than accident in the actual performance of duty.

For a member who elected the 20 year plan, the ordinary disability retirement allowance is equal to 1/40 (1/50 for members who elected the 25 year plan; 1/60 for members who elected to retire at the attainment of age 55) of final salary multiplied by the number of years of service for a member who joined before July 1, 1973, and multiplied by the number of years of service not exceeding thirty for a member who joined after June 30, 1973, but not less than 1/2 of his final salary if he completed 10 or more years of City service, or 1/3 of his final salary if less than 10 years of City service.

III. ACCIDENT DISABILITY RETIREMENT

Upon the occurrence of disability caused by an accident in the actual performance of duty, a member is granted a retirement allowance. The allowance consists of a pension equal to three-fourths of his final salary and, if he is eligible for service retirement, an additional increment of 1/60 of average salary from date of eligibility for service retirement to date of retirement for each year of service after the completion of the required minimum for a member who joined before July 1, 1973, and for each of the first ten years of service after the completion of the required minimum for a member who joined after June 30, 1973. An additional pension is paid which is the actuarial equivalent of the reserve for ITHP, as well as an annuity which is the amount which can be purchased with the member's accumulated deductions.

IV. ORDINARY DEATH BENEFIT

Upon the death of a member in active service from causes other than accident in the actual performance of duty, a benefit is paid to his estate or to such person as he shall have nominated.

With respect to a member who joined before July 1, 1973, the benefit is equal to the compensation earnable by the member in the six months immediately preceding his death and, if the total number of years of allowable service exceeds ten, then the benefit is equal to the compensation earnable by him during the twelve months immediately preceding death. In addition, the member's accumulated deductions, the reserve for ITHP, and the City's obligation on account of military service, if any, are paid to his estate or to his designated beneficiary.

The benefit payable on account of such a member who at the time of his death, would have been eligible for service retirement is either the benefit described above or an amount equal to the reserve on the retirement allowance which would have been payable if he had retired on the day before his death, whichever is larger.

A member who joins after June 30, 1973 is covered for a death benefit upon completion of 90 days of service. The amount of the death benefit is equal to three times member's salary raised to the next higher multiple of $1,000. In addition, the member's accumulated deductions are payable.

The Rules and Regulations adopted by the Board of Trustees in accordance with Chapter 581 of the Laws of 1970 provide that the first $50,000 of each benefit on account of death in active service is payable from the group term life insurance plan. Only the amount in excess of $50,000, if any, is payable by the Pension Fund.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

V. ACCIDENT DEATH BENEFIT

The benefit is payable upon the death of a member which occurs as the result of an accident sustained in the performance of duty.

The accidental death benefit is a lump sum payment of the reserve for ITHP and a pension equal to one-half of the average salary in the five years immediately preceding death but not less than one-half the full salary of a first grade patrolman, payable to the widow for life, or if there is no widow, to a child, or children until the attainment of age 18 or age 23 if a full-time student, or if there is no widow or child, to the dependent parents. In addition, the member's accumulated deductions are paid to his/her estate or designated beneficiary.

VI. TERMINATION OF EMPLOYMENT

A member, who either resigns or is dismissed, receives a benefit equal to his accumulated deductions. At resignation with at least 15 years of service, at least 5 of which immediately precede resignation, the member may elect, in lieu of a return of his accumulated deductions, to receive a service retirement allowance reduced in proportion to his years of service. The allowance is deferred to the earliest date on which the member would have been eligible for service retirement had the member not resigned. Should a member who elected to receive a vested retirement allowance die during the period of deferment, the benefit is the accumulated deductions.

VII. DEPENDENT BENEFIT

Upon the death of a member during active service or after retirement, a pension of $600 per annum is payable to the widow until remarriage, to a child, or to the dependent parents, provided that upon becoming a member, he had elected to make the additional contributions required for this benefit.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSION FUND

VIII. SUPPLEMENTAL RETIREMENT ALLOWANCE

Supplemental Retirement Allowances are payable during the life of the member and spouse, where such pensioner had elected one of the options under the Administrative Code which provides that benefits are to be continued for the life of such spouse after the death of the pensioner, and where the death of such pensioner occurred or occurs more than thirty days after the effective date of the retirement of such pensioner.

Supplemental Retirement Allowances are payable to members who retired prior to calendar year 1983 and either retired for disability or attained age 62. The benefit is equal to a percentage, depending on the calendar year of retirement, of the first $10,500 of the retirement allowance entitled had the member not elected any optional forms of benefit. The benefit to spouses is equal to one-half the benefit that the pensioner would be receiving if living.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER TWO PENSON FUND

OPTIONS ON RETIREMENT

A member upon retirement may elect to receive his basic retirement allowance payable in monthly installments throughout life with all payments ending at death, or may elect to receive the actuarial equivalent in any one of the following optional forms:

(a) With respect to members who joined prior to July 1, 1973, a cash refund allowance under which reduced payments will be made for the life of the member with a provision that, in case of death before such payments have equaled the present value of the retirement allowance at date of retirement, the balance shall be paid to the designated beneficiary or estate. With respect to members who joined after June 30, 1973, this option is only available with respect to the annuity.

(b) With respect to members who join or joined after June 30, 1973, a ten year (five year) certain and life thereafter allowance under which reduced payments will be made for the life of the member with a provision that, in case of death within ten (five) years of retirement, the benefit that would have been payable had the member survived for ten (five) years shall be paid to the designated beneficiary or estate.

(c) A joint and survivor allowance under which reduced payments will be made for the life of the member with a provision that at the death of the member the same payments or one-half of such payments shall be continued for the life of such other person as the member shall have designated.

(d) Such other form of benefit which is the actuarial equivalent of the basic benefit as may be certified by the actuary and approved by the Board of Trustees. By resolution, the Board of Trustees has approved an option under which reduced payments will be made for the life of the member with a provision that upon his death, a sum specified by the member at the time of retirement shall be paid to his designated beneficiary or estate.

NEW YORK CITY POLICE DEPARTMENT, SUBCHAPTER 2 PENSON FUND

CONTRIBUTIONS

The benefits of the Fund are financed by employee and employer contributions and from the earnings on the invested funds.

I. EMPLOYEE CONTRIBUTIONS

Member contributions are made on the basis of a normal rate of contribution that is assigned by the Plan at the time of membership. The normal rate, which is dependent upon the member's age and plan, as well as the tables in effect at the time of membership, is determined so as to provide an annuity that will be approximately one-quarter of the service retirement allowance at the earliest date for service retirement. Members may voluntarily increase their rates of contribution by 50% for the purpose of purchasing an additional annuity.

Contributions from members are recorded when the employer makes payroll deductions from Plan members. Members are permitted to borrow up to 75% of their own contributions including accumulated interest. These loans are accounted for as reductions in such member's contribution accounts.

II. EMPLOYER CONTRIBUTIONS

The City's contribution in any fiscal year is on account of the liability incurred in that year. The City contributes each year on account of members an amount to provide all other benefits including the group term life insurance, but excluding the annuities and refunds provided by the members' own contributions.

The appropriation paid in Fiscal Year 1991-92 on account of the liability incurred in that year, and including the amount to fund the Employer Contribution Receivable - Long Term, by the employers for the Retirement System and the Insurance Plan was $432,223,459.

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2

COMPONENT UNIT FINANCIAL REPORT

STATISTICAL SECTION

PART IV

FOR THE

FISCAL YEAR ENDED JUNE 30, 1992

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
SCHEDULE OF BENEFIT EXPENSES BY TYPE
(in thousands)

LUMP SUM PAYMENTS

FISCAL YEAR	SERVICE AND DISABILITY RETIREMENT	ORDINARY DEATH IN SERVICE	PAYMENTS DEATH AFTER RETIREMENT	LINE OF DUTY DEATHS	TOTAL
6-30-83	272,179	4,662	881	1,762	279,484
6-30-84	295,224	7,033	1,147	1,855	305,259
6-30-85	323,003	7,992	2,663	1,944	335,602
6-30-86	358,909	10,836	2,004	2,059	373,808
6-30-87	393,734	9,787	2,788	2,119	408,428
6-30-88	429,503	6,031	2,275	2,247	440,056
6-30-89	476,331	9,707	2,322	2,328	490,688
6-30-90	515,693	8,282	2,070	2,458	528,503
6-30-91	556,232	15,500	2,481	2,690	576,903
6-30-92	589,091	5,544	3,003	2,785	600,423

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 1992

AGE AND SERVICE RETIREMENT

	MEN		WOMEN	
AGE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWNACE
44 & under	223	24,060	1	16,746
45-49	1880	22,130	5	18,994
50-54	2981	19,711	26	19,264
55-59	2328	16,592	23	17,931
60-64	2517	14,733	31	14,308
65-69	2673	13,154	44	11,313
70-74	2301	11,418	25	10,748
75 & over	1109	11,911	25	11,311

ORDINARY DISABILITY (NON-DUTY) RETIREMENT

	MEN		WOMEN	
AGE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE	NUMBER OF RETIRANTS	AVERAGE ANNUAL ALLOWANCE
44 & under	280	12,927	23	13,739
45-49	544	12,828	18	14,055
50-54	576	12,322	9	14,108
55-59	378	17,420	20	11,309
60-64	649	23,917	5	9,220
65-69	823	26,485	16	20,569
70-74	558	23,455	17	17,614
75 & over	220	20,456	2	21,724

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT
JUNE 30, 1992

ACCIDENTAL DISABILITY (DUTY) RETIREMENT

AGE	MEN: NUMBER OF RETIRANTS	MEN: AVERAGE ANNUAL ALLOWANCE	WOMEN: NUMBER OF RETIRANTS	WOMEN: AVERAGE ANNUAL ALLOWANCE
44 & under	1143	26601	71	26684
45-49	1666	25355	32	24069
50-54	1462	25285	19	31817
55-59	783	24521	10	25216
60-64	799	26226	6	26581
65-69	761	25629	7	24662
70-74	446	21777	2	22130
75 & over	150	19089	2	17389

SERVICE OR DISABILTIY
SURVIVORS (OF DECEASED PENSIONERS UNDER SELECTED OPTIONS)

AGE	MEN: NUMBER OF BENEFICIARIES	MEN: AVERAGE ANNUAL ALLOWANCE	WOMEN: NUMBER OF RETIRANTS	WOMEN: AVERAGE ANNUAL ALLOWANCE
44 & under	1	13586	6	14135
45-49	—	—	6	16672
50-54	—	—	5	16873
55-59	—	—	16	12770
60-64	—	—	27	11369
65-69	—	—	51	9306
70 & over	—	—	99	8696

NEW YORK CITY PENSION FUND - SUBCHAPTER 2
BENEFICIARIES OF PENSIONERS KILLED
IN ACTUAL PERFORMANCE OF DUTY

WOMEN

AGE	NUMBER OF BENFICIARIES	AVERAGE ANNUAL ALLOWANCE
44 & under	35	14,546
45-49	40	11,989
50-54	40	10,537
55-59	32	8,821
60-64	41	7,879
65-69	28	7,578
70-74	11	7,236
75 & over	12	6,614

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
ANALYSIS OF PORTFOLIO YIELDS
JUNE 30, 1992 - 1991

(in thousands)

INVESTMENT PORTFOLIO DESCRIPTION	1992 MARKET VALUE	1992 YIELD ON MARKET VALUE	1992 COST	1992 YIELD ON COST	1991 MARKET VALUE	1991 YIELD ON MARKET VALUE	1991 COST	1991 YIELD ON COST
Securities purchased under agreements to resell:	$ 38,825	7.4%	$ 38,825	7.4%	$ 7,145	50.4	$ 7,145	50.4
Commercial Paper	114,263	5.6%	114,263	5.6	84,287	3	84,287	3
Short Term Investment Fund	400,923	8.2	400,923	8.2	176,635	3	176,635	3
Bonds:								
U.S. Government	2,089,021	11.9	2,020,493	12.2	1,997.980	10	1,988,675	10.0
Corporate	893,931	11.6	874,036	11.8	716,993	9.6	715,445	9.6
Other	76,699	14.3	75,068	14.5	64,102	11.8	64,173	11.9
International Investment Fund & Fixed Income	83,223	5.2	63,000	6.2	65,520	8.7	63,000	9
Mortgages	(1)	(1)	91	7.4	(1)	(1)	569	7.5
Equities	3,578,209	14.2	2,197,531	22.6	3,155,829	5.9	2,026,739	9.2
International Fund - Equities	417,023	(3.8)	421,551	(3.7)	314,135	(11.7)	332,663	(11.4)

(1) Market values are not readily determinable

ANALYSIS OF PORTFOLIO YIELDS
JUNE 30, 1990 - 1989

(in thousands)

INVESTMENT PORTFOLIO DESCRIPTION	1990 MARKET VALUE	1990 YIELD ON MARKET VALUE	1990 COST	1990 YIELD ON COST	1989 MARKET VALUE	1989 YIELD ON MARKET VALUE	1989 COST	1989 YIELD ON COST
Securities purchased under agreements to resell:	—	—	—	—	$ 56,372	8.4%	$56,372	8.4%
Other short-term investments	579,273	5.7%	579,273	5.7%	258,363	9.4%	258,363	9.4
Bonds:								
U.S. Government	2,093,137	9.7	2,083,963	9.9	1,924,879	8.1	1,861,512	8.2
Corporate	680,378	9.9	680,637	5.0	583,568	9.9	568,392	9.1
Other	73,945	9.1	73,544	9.3	62,951	2.5	60,823	2.5
International Investment Fund & Fixed Income	—	—	—	—	—	—	—	—
Mortgages	(1)	(1)	773	7.6	(1)	(1)	970	9.7
Equities	3,135,998	12.4	2,044,120	18.9	2,781,980	18.3	1,834,738	26.6
International Fund - Equities	—	—	—	—	—	—	—	—

(1) Market values are not readily determinable

NEW YORK CITY POLICE PENSION FUND - SUBCHAPTER 2
ANALYSIS OF PORTFOLIO YIELDS
JUNE 30, 1988

(in thousands)

1988

INVESTMENT PORTIFOLIO DESCRIPTION	MARKET VALUE	YIELD ON MARKET VALUE	COST	YIELD ON COST
Securities purchased under agreements to resell:	$ 35,144	4.1%	$ 35,144	4.1%
Other short-term investments	210,247	6.8	210,247	6.8
Bonds:				
NYC and City Related	42,900	7.9	42,341	8.1
U.S. Government	1,802,436	7.4	1,842,697	7.3
Corporate	313,902	9.0	319,781	8.9
Other	104,180	8.4	141,731	8.3
Mortgages	(1)	(1)	1,161	-5.0
Equities	2,324,947	-5.3	1,673,355	-8.3

(1) Market values are not readily determinable

NEW YORK CITY POLICE DEPARTMENT PENSION FUND - SUBCHAPTER 2
SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENT AMOUNTS

	AGE & SERVICE RETIREMENT BENEFITS		ORDINARY (NON-DUTY) DISABILITY BENEFITS		ACCIDENTAL (DUTY) DISABILITY BENEFITS	
DATE	NUMBER	Average Annual ALLOWANCE	NUMBER	Average Annual ALLOWANCE	NUMBER	Average Annual ALLOWANCE
6-30-83	11,527	10,465	3,130	12,975	4,473	17,793
6-30-84	11,976	10,863	3,409	13,791	5,062	18,847
6-30-85	12,030	11,003	3,425	14,033	5,158	19,141
6-30-86	13,066	11,728	3,827	15,164	6,071	20,671
6-30-87	14,255	12,767	4,104	16,622	6,706	22,103
6-30-88	14,229	13,495	4,075	17,330	6,681	22,894
6-30-89	14,426	13,760	4,058	17,422	6,802	23,148
6-30-90	14,711	14,125	4,030	17,487	6,879	23,383
6-30-91	17,262	16,342	4,274	19,053	7,606	25,302
6-30-92	16,192	17,970	4,138	19,533	7,359	26,545